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Latvian dairy industry under pressure of the Russian import ban.

Report Categories:

Dairy and Products

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Report Highlights:

It is estimated that in 2015 milk deliveries in Latvia will decrease by 0.5 percent compared to the previous year's level. The Russian ban reduced export demand and resulted in a drop of farm-gate milk prices. It is estimated that in 2015 a higher share of milk production will be processed into butter and non-fat dried milk, which can be sold or stored within the EU intervention programs or exported. In response to the European Commission's market intervention measures until November 15, 2015 Latvia placed 8,921 of Non Fat Dried Milk (NFDM) into the PSA stocks and 606 MT of butter, and 643 MT of NFDM into EU intervention program.

General Information:

Production

It is estimated that in 2015, raw milk output in Latvia will amount to 800,000 MT, a 0.5 percent decreased compared to 2014. In the first nine months of 2015 milk deliveries in Latvia decreased by 0.3 percent in comparison to the same period of 2014. It is forecast that supplies of milk will stabilize in 2016. In September 2015 average farm-gate prices for milk amounted to U.S. \$22 per 100 kilograms of milk, a 13 percent decrease in comparison to September 2014.

In 2014/2015 the milk quota was not exceeded, so Latvian dairy farmers will not pay fines in 2016. It is estimated that 50 percent of milk production in Latvia is sold locally for further processing and the rest is exported as raw milk to Lithuania. The Russian import ban resulted in a decrease of processing by 60 percent in comparison to the previous year. Latvia also exports NFDM, WDM and hard cheese to almost 30 countries. Latvian daily production capacity of NFDM and WDM amounts to 750 MT.

There are 50 milk processing plants in Latvia. However, the 6 largest companies process 65 percent of the milk delivered to dairies. Dairy processing plants cooperate with farmers through preferential loans which can be paid back by milk deliveries. In 2014 cheese production amounted to 35,500 MT and was 9 percent higher than a year ago. It is expected that as a result of reduced exports, production of cheese in 2015 will decline in comparison to 2014. A drop in raw milk prices in the first three quarters of 2015 reduced profit margins in dairy production. At the beginning of 2015 dairy cow inventories amounted to 166,000 head and were just 1,000 above the level of 2014.

Trade

In the first eight months of 2015 value of Latvian exports of dairy products was 47 percent lower than in the same period of previous year. The decrease of exports resulted from the Russian ban which caused lower demand for dairy products within the EU. Major export destinations within the EU are Lithuania, Germany and the Netherlands. In the first nine months of 2015 the value of imports of dairy products dropped by 37 percent. Major suppliers of dairy products were Lithuania, Estonia and Poland. It is estimated that Latvia exports 50 percent of its raw milk to the neighboring Baltic countries and imports from these countries dairy products.

Stocks

In response to the European Commission's market intervention measures until November 15, 2015, Latvia placed 8,921 of Non Fat Dried Milk (NFDM) into the PSA stocks and 606 MT of butter and 643 MT of NFDM into EU intervention program. It is expected that Latvia will continue to use the EU's PSA and start intervention purchases of NFDM later in 2015 and on into 2016 in order to stabilize the domestic market for dairy products.

End of the Report.